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NATIONAL INTELLIGENCE DAILY CABLE

Friday 11 August 1978

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NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Friday, 11 August 1978.

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The NID Cable is for the purpose of informing senior US officials.

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USSR-PAKISTAN: Better Relations

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[redacted] //Moscow's favorable response to Pakistani overtures for better relations is intended to ease the fears sparked in Islamabad by the leftist coup in Afghanistan this spring and to test Pakistan's willingness to leave the Central Treaty Organization. Pakistan, however, remains deeply concerned about long-term Soviet and Afghan intentions, particularly on the Pushtunistan dispute. Its response to the more favorable Soviet attitude will depend on how the Soviets and the Afghans handle this issue, and on the levels of support that the US, Saudi Arabia, and Iran offer to Pakistan.

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[redacted] Pakistani Minister of State Agha Shahi visited Moscow late last month to test Soviet attitudes toward Pakistan in the wake of the coup in Afghanistan. The Pakistanis have professed dissatisfaction over the level of support being offered by their traditional allies and concern over some private Soviet hints that Pakistan now has no alternative but to be more accommodating to the USSR. Consequently, Islamabad included Shahi in an economic delegation that went to Moscow to discuss additional Soviet aid for the steel mill under construction in Karachi.

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[redacted] //Shahi apparently found the Soviets forthcoming on political and economic matters. He had anticipated that the Soviets would approve Pakistan's desire to enter the nonaligned movement but was unprepared for their "full support" of Pakistan's desire to continue negotiations on the Pushtunistan dispute with Afghanistan.//

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[redacted] The Pakistani was also pleased by Moscow's willingness to set aside another \$220 million for the steel mill and its promise to send chief economic aid negotiator Skachkov to Islamabad for additional aid talks before the end of the year. Premier Kosygin accepted an invitation to visit Pakistan, although no date has yet been set.

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[redacted] Moscow had been wooing Pakistan before the change of government in Kabul in hopes of braking India's moves toward better relations with China and the US.

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[redacted] Moscow's immediate aims, however, probably are to reduce the chance that

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[redacted]

Pakistan will take any concrete steps to "destabilize" the new Afghan Government and to capitalize on Pakistan's seeming willingness to move further away from the US. [redacted]

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MEXICO-CUBA: Arms Control Meeting

[redacted] *Cuba will attend a meeting of Latin American states in Mexico City on 21 August to discuss conventional arms limitations. This will be the first time the Castro government has participated in regional arms control talks. Cuba's attendance reflects its increased interest in disarmament matters in recent months.*

[redacted] Mexico, which organized the meeting, wants the participants to discuss the positions they intend to take at a UN conference on the prohibition of inhumane weapons to be held the following week. Mexico also hopes for a general exchange of views on conventional arms restraint in Latin America.

[redacted] Cuba will send a representative with the rank of ambassador, possibly Jose Luis Perez Hernandez, a Foreign Ministry official who has been active in UN disarmament affairs and the nonaligned movement. By attending, Cuba hopes to strengthen its regional ties and perhaps to increase its chances of winning one of the new seats on the permanent Committee on Disarmament in Geneva. Cuba may also wish to obtain support for certain of its own objectives, especially the removal of the US military presence in the Caribbean.

[redacted] The USSR may have encouraged Cuba to participate. The Soviets and the Cubans have coordinated closely on many disarmament issues, particularly their attitude toward the neutron weapon. Although its rhetoric has reflected Soviet policy, Cuba has not always followed the Soviet example; it has not, for instance, signed the Treaty of Tlatelolco declaring Latin America a nuclear-free zone.

[redacted] The Mexicans first proposed a regional arms control meeting to Latin American foreign ministers during the session in Washington in June of the Organization of American States's General Assembly, but their desire to include Cuba has led them

[redacted]

to avoid using the OAS itself. At least 15 other states will attend the Mexico City meeting. Brazil initially refused but has agreed to reconsider. [redacted]

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ETHIOPIA: More Power for Mengistu

25X1 [redacted] *Chairman Mengistu has appointed six members of Ethiopia's ruling military council as regional administrators in an attempt to assert stronger personal control over the government. More changes are likely as Mengistu streamlines the bureaucracy and prepares for the formation of a national workers' party.*

25X1 [redacted] The six council members were among eight regional administrators appointed last weekend. The members are the first since the council was formed to be assigned to civilian positions in other than an advisory capacity.

25X1 [redacted] One of the other new administrators is also a military officer, as are the appointees to two lesser government positions. Ten of Ethiopia's 14 regions are now headed by military officers.

25X1 [redacted] Mengistu, by making these appointments, is trying to strengthen his position within the council and to expand his direct control over all levels of the government. He probably expects that military officers in key administrative positions will help ensure stability when the proposed workers' party is established. Mengistu may announce the party's formation on 12 September, the fourth anniversary of the revolution.

25X1 [redacted] Once the workers' party is formed, the council will probably push more vigorously its program to make radical changes in Ethiopian society, particularly in the area of land reform. This might arouse renewed opposition, especially in the northern regions, where the land tenure system is firmly established. It is probably significant that five of the eight new administrators were sent to the northern regions.

25X1 [redacted] More council members are likely to be assigned to administrative posts outside Addis Ababa, dispersing the council's collective authority while helping Mengistu consolidate his personal power. [redacted]

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NIGERIA: Foreign Exchange Crunch

Nigeria's foreign exchange reserves fell to \$2.2 billion in July, down \$2 billion since the beginning of the year and the lowest level in four years. The foreign business community in Nigeria believes Lagos will soon devalue its currency.

The rapid drawdown of reserves reflects a decline of oil revenues, which account for more than 90 percent of export earnings, coupled with a rise in imports of capital goods and services. In March, oil exports fell to their lowest level in more than six years as cheaper supplies from the North Sea and Alaska became available.

The government has taken several steps to boost export earnings and ward off serious balance-of-payments problems. It has:

- Cut oil prices and increased the discount to third-party customers who sign long-term contracts.
- Begun implementing an austerity budget.
- Renegotiated contracts for major development projects to stretch out payment periods.
- Arranged a \$1 billion Eurodollar loan, which has been used, and negotiated a second \$1.2 billion Eurodollar loan.
- Pursued arrangements that will enable Nigeria to receive capital goods and food in exchange for oil.

Nigeria appears to be headed for a \$3 billion current account deficit in 1978. Although the oil companies are beginning to increase production, oil exports for the year will be around \$8 billion, down from last year's figure of \$10 billion. The austerity measures should slow the increase in imports, but substantial expenditures for ongoing projects will continue.

A devaluation would do little to improve this year's current account deficit. Indeed, its immediate effect would be

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[redacted]

to raise import costs. Lagos in the months ahead almost certainly will have to scale back its development effort, seek additional international financing, or both. [redacted]

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RHODESIA: War Casualty Figures

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[redacted] Comprehensive war casualty figures released this month by Rhodesia show significantly more black and white civilians killed so far this year than during all of last year. The figures reflect in part stepped-up guerrilla attacks against civilian targets, designed to weaken black confidence in the transition government and to force more white emigration.

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[redacted] The government says 86 white civilians have died in the past seven months; this number is 33 more than the total killed during 1977 and constitutes an even larger increase over the number killed during previous years. Figures for black civilians are less precise, but apparently more than 1,000 have been killed this year, perhaps one-third of the total killed since hostilities increased in December 1972.

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[redacted] The Rhodesians say over 9,400 individuals have died inside Rhodesia during the past five years, either directly or indirectly as a result of the war; others have been killed in neighboring countries during cross-border operations. Nearly 5,000 of these are said to have been guerrilla fighters, and 650 were Rhodesian soldiers. [redacted]

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BRIEFS

Poland-Czechoslovakia

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According to the US Embassy in Prague, Polish and Czechoslovak dissidents intend to release the first joint protest statement by East European dissidents on 21 August. The statement will criticize the Soviet-led invasion of Czechoslovakia in 1968 and the repression of Polish students and intellectuals that year.

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Polish and Czechoslovak dissidents have maintained quiet contacts with each other in the past. Publication of their joint document will probably stimulate the East European security services to try to prevent further coordinated activities.

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